

# Definitions

## IRA Charitable Rollover Gift

A charitable gift made by the owner of an IRA directly to a qualified charity. The owner must be 70½ years of age or older and can transfer up to \$105,000 per year, and the transfer may help the owner meet their "required minimum distribution" or RMD.



## Let Us Help

If you like the idea of saving taxes and supporting your favorite causes, an IRA charitable rollover gift may make sense for you. Please contact us and your IRA administrator to learn more and get started with your gift.



**Desert Southwest**  
UNITED METHODIST FOUNDATION  
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# IRA Charitable Rollover How to Use Your IRA For Good



*Support our  
cause with a  
gift from  
your IRA*



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Are you frustrated by the required minimum distribution (RMD) rules? If you are like most people who receive annual income from an IRA, you are likely paying more and more in taxes each year. The good news is that rolling over part or all of your annual RMD to a charity like ours can help reduce your tax bill and provide support to the causes you care about. This strategy is referred to as an "IRA charitable rollover."

## How the Required Minimum Distribution (RMD) Works

- Once IRA owners reach age 73, they must take a withdrawal from their IRA each year. This is known as the required minimum distribution (RMD). The RMD requires the IRA owner to withdraw a certain amount based on the owner's age and the balance of the IRA.
- The RMD from a traditional IRA is subject to income tax. The RMD can push some IRA owners into a higher tax bracket.
- If the IRA owner does not take the RMD, he or she will face stiff penalties.



### Alternatives to the RMD

There is a great alternative to taking the RMD. It's the IRA charitable rollover, which is a gift made from an IRA directly to charity. The IRA charitable rollover allows IRA owners to support their favorite causes using pre-tax assets. In addition, the amount of the IRA rollover gift may count against the IRA owner's RMD. With a rollover gift, the distribution to charity is not subject to tax. That's a tax-smart way to give!

### The IRA Charitable Rollover— An Easy Way to Help Our Cause

*If you are 70½ or older, you can direct your IRA administrator to distribute a gift from your IRA to our organization. Any amount you transfer may count against your required minimum distribution, and you can direct up to \$105,000 to your favorite causes this year.*

### Double the Benefit

The law allows an individual to transfer up to \$105,000 per year to charity as rollover gifts. If you are married, you and your spouse can each give \$105,000 per year as long as you both own an IRA. If you file taxes jointly, a double gift to our organization can go a long way toward reducing your taxes and making a difference in the work we do.

### What If You Have a 401(k) or Other Retirement Account?

The IRA rollover only applies to IRAs. If you have a 401(k) or other retirement account that requires minimum distributions, you cannot make an IRA rollover gift. However, if the idea of benefiting from the IRA charitable rollover appeals to you, it is often possible to roll over funds from your other accounts into an IRA and then make a rollover gift. Talk with your advisor about whether this option makes sense for you.

### How Would an IRA Rollover Gift Work?

Fred loves our mission and wants to support us in a tax-smart way. He has saved all his life. His IRA and, in turn, his RMD have grown quite large. Fred has sufficient income from other sources and does not need the full amount of his RMD to support his lifestyle. Here is how the IRA rollover benefits Fred.

Fred must take an RMD based on his age and the amount in his IRA:

Without the IRA Rollover	With the IRA Rollover
Fred withdraws his \$160,000 RMD.	Fred contacts his IRA custodian, directing the custodian to distribute \$105,000 to our organization. He takes a distribution for the remaining \$55,000 of his RMD.
Fred must pay considerable income tax. The distribution of his RMD pushes him into the highest federal and state income tax bracket.	Fred pays tax only on the \$55,000 of the RMD that he received. This will not push him into a higher tax bracket.
Fred pays taxes and is disappointed that he has less disposable income to give to charity.	Fred is able to give more to charity than he thought possible—all because he made an IRA rollover gift.